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ANNUAL REPORT 1976

ABSTAINERS' INSURANCE COMPANY

3228 SOUTH SERVICE ROAD, BURLINGTON, ONTARIO.

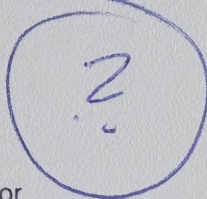
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Officers

S.R. Bernardo, Chairman of the Board
C.A. Blair, President & Managing Director
R.G. Groom, Q.C., Vice-President
R.S. Mills, Q.C., Secretary
S.M. Fletcher, Treasurer

Directors

S.R. Bernardo	J.D. McNie
C.A. Blair	R.S. Mills, Q.C.
J.H. Disher	A.M. Waters
S.M. Fletcher	J.G. Webb
R.G. Groom, Q.C.	P.L. Wilson



PRESIDENT'S REPORT

to the Shareholders of Abstainers' Insurance Company:

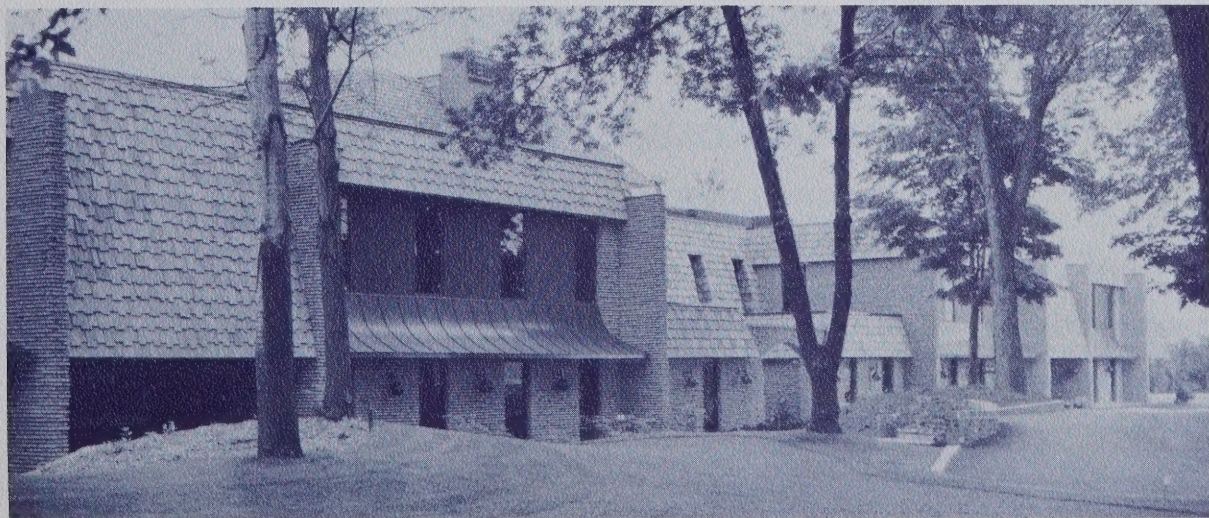
Abstainers' Insurance Company continued to grow rapidly in 1976 with premiums written increasing by 35%, or over \$2,000,000, to \$7,721,000. Over \$6,000,000 of this amount was written in Ontario and the balance in the Province of Alberta. In accordance with previously indicated Company policy to emphasize property insurance, the number of property policies and renewals issued was increased by 50% in comparison to 12% for auto insurance.

In spite of this continued rapid growth, the Company was able to maintain its loss ratio of claims to earned premiums at 64% for the fourth consecutive year. After the substantial expense of moving the Head Office of the Company from

Simcoe to Burlington, the expense ratio to earned premiums was also maintained at 35% for the fifth consecutive year, enabling the Company to show a nominal underwriting profit of \$8,000.

The Company expects to write over \$9,000,000 in premiums in 1977, and to improve customer service from its new Head Office in Burlington to over 40,000 policyholders in Ontario and Alberta through 75 agents in those two provinces. This may involve some additional equity financing during 1977.

President &
Managing Director



Site of new head office in Burlington

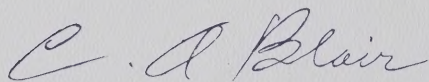
BALANCE SHEET as at December 31, 1976

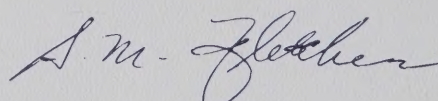
	1976	1975
Assets		
Cash	\$ 118,318	\$ 201,134
Accounts receivable	106,399	62,724
Investments (note 2)	8,515,589	6,334,562
Accrued interest on investments	48,303	55,062
Income taxes recoverable		56,115
Trust funds for claims of reinsurers	37,000	37,000
	<u>\$8,825,609</u>	<u>\$6,746,597</u>
Liabilities		
Provision for unsettled claims and adjusting costs	\$3,003,605	\$1,987,784
Accounts payable and accrued liabilities	191,269	158,326
Income taxes payable	6,758	
Unearned premiums at 85%	2,898,758	2,204,378
Provision for unsettled claims of reinsurers	37,000	37,000
	<u>6,137,390</u>	<u>4,387,488</u>

Shareholders' Equity

Capital Stock		
Authorized		
2,000 5% Cumulative preference shares redeemable at par value of \$100 each		
300,000 Common shares of a par value of \$1 each		
Issued		
2,000 Preference shares	200,000	200,000
126,614 Common shares	126,614	126,614
	<u>326,614</u>	<u>326,614</u>
Contributed Surplus	457,104	457,104
Retained Earnings	1,904,501	1,575,391
	<u>2,688,219</u>	<u>2,359,109</u>
	<u>\$8,825,609</u>	<u>\$6,746,597</u>

Approved by the Board

 Director
C.A. Blair

 Director
S.M. Fletcher

AUDITORS' REPORT

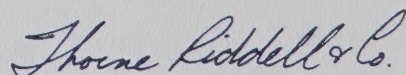
To the Shareholders of Abstainers' Insurance Company

We have examined the balance sheet of Abstainers' Insurance Company as at December 31, 1976 and the statements of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations for the year then ended in accordance with accounting principles prescribed or permitted by the Ontario Department of Insurance as set out in note 1, applied on a basis consistent with that of the preceding year.

Toronto,
Canada

January 21, 1977



Chartered Accountants

STATEMENT OF INCOME Year Ended December 31, 1976

	1976	1975
Gross Premiums Written	\$7,720,916	\$5,697,408
Premiums Retained, after reinsurance	\$7,391,163	\$5,452,238
Premiums Earned	\$6,696,783	\$4,805,571
Expenses		
Claims and adjusting costs	4,294,419	3,117,575
Commissions	1,254,815	920,481
Salaries and employee benefits	455,770	306,319
Other expenses	683,329	455,162
	<u>6,688,333</u>	<u>4,799,537</u>
Underwriting Profit	<u>8,450</u>	<u>6,034</u>
Investment income	442,065	396,912
Gain on sale of investments	9,241	1,980
	<u>451,306</u>	<u>398,892</u>
	459,756	404,926
Income Taxes	<u>70,000</u>	<u>75,000</u>
Net Income	<u>\$ 389,756</u>	<u>\$ 329,926</u>
Earnings per Share — after dividends on preference shares	\$3.08	\$2.53

STATEMENT OF RETAINED EARNINGS

Year ended December 31, 1976

	1976	1975
Retained Earnings at Beginning of Year	\$1,575,391	\$1,287,118
Net income	<u>389,756</u>	<u>329,926</u>
	1,965,147	1,617,044
Dividends paid, including dividends on preference shares of \$10,000	<u>60,646</u>	<u>41,653</u>
Retained Earnings at End of Year	<u>\$1,904,501</u>	<u>\$1,575,391</u>

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1976

1. Accounting Policies

The financial statements have been prepared in accordance with accounting principles prescribed or permitted by the Ontario Department of Insurance. However, in certain respects, as explained below, they are not in conformity with generally accepted accounting principles.

- The costs of acquiring new business are written off as expenses in the year incurred. Fifteen percent of the unearned premiums at the end of each year are included in income as an offset to the costs related to the acquisition of these premiums.
- The income tax charge against operations and the related liability are determined using the "taxes payable" method.

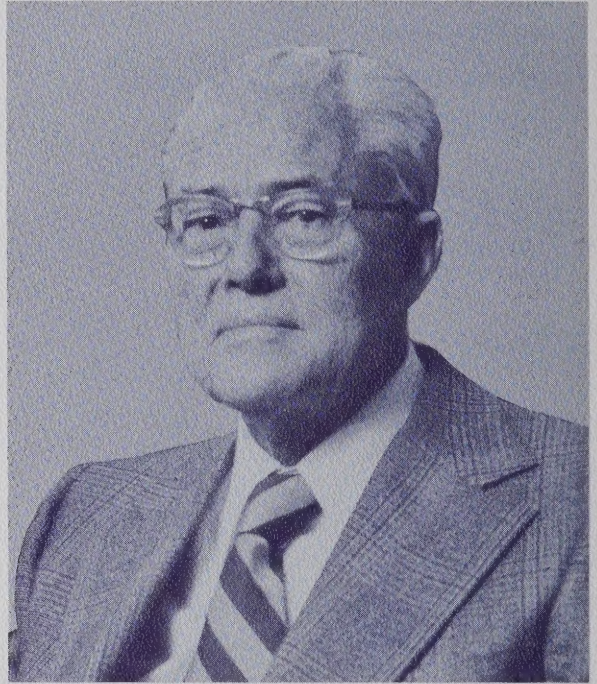
2. Investments (quoted market value 1976 — \$8,326,523; 1975 — \$5,583,595)

	1976	1975
Bonds, at amortized cost	\$1,938,042	\$2,869,701
Preferred stocks, at cost	4,388,012	1,972,470
Common stocks, at cost	2,124,003	1,192,391
Mortgages	65,532	
Short-term note		300,000
	<u>\$8,515,589</u>	<u>\$6,334,562</u>

3. Anti-Inflation Legislation

The company is subject to the Anti-Inflation Act which provides, as from April 16, 1976 for restraint of net income and compensation. In the opinion of management, the Act will not have a material effect on the net income of the company for the year ended December 31, 1976.

Dr. Robert B. Hare
1891 — 1976



Dr. Robert B. Hare was born in Ottawa, and received his medical degree from the university of Toronto in 1922, after some years as a teacher. His medical training was interrupted by the First World War when he served in the army, was a prisoner of war in Germany, and was the recipient of a certificate signed by Winston Churchill citing him for valuable service. After graduation, he moved to Simcoe in 1925 where he practiced medicine for nearly 50 years. In 1925, Dr. Hare successfully passed the examinations at the Royal College of Surgeons of Edinburgh, entitling him to the degree of F.R.C.S. (Edin). Later he was admitted to both the Canadian and the American College of Surgeons.

He was a great lover of flowers and enthusiastic horticulturist, and brought many rare species from all over the world to his home observatory. He was an active member of the Norfolk Golf and Country Club, and an ardent swimmer.

He was a very active Elder and Sunday School Teacher in St. James United Church, Simcoe. He was Chairman of the Church's Board of Overseas Missions, and Chairman of the Hamilton Conference United Church Men.

He was always interested in the cause of temperance, and at the time of inauguration of Abstainers' Insurance Company was the President of the Norfolk County Temperance Federation. When William Plymat, President of Preferred Risk Insurance Company of Des Moines, Iowa spoke at the Annual Meeting of the Ontario Temperance Federation in Hamilton early in the 1950's, it

was Dr. Hare who moved that the Ontario Temperance Federation investigate the possibility of starting an insurance company for abstainers in Ontario and report back to the next convention. When they reported back that while it was not something they should get involved in, there was nothing to prevent a group of individuals doing so, he persuaded the executive of the Norfolk County Temperance Federation to form the nucleus of a Board of Directors to do just that. He was the determined driving force behind this group, persisting and insisting that whatever had to be done was done to get the company launched. He and Parmer L. Wilson of Burford, still a valued member of the Board of Directors, guaranteed the necessary capital, and a charter was issued for Abstainers' Insurance Company on December 14, 1955. On October 1, 1956, Dr. Hare became the first policyholder of the Company. He was our genial and happy President from the beginning of the Company until 1968, always keenly interested in the staff, and delighted with the growth of the Company.

Dr. Hare was 65 when the Company started, so it was not surprising that 13 years later he should request that a new President be named, and he became the first Chairman of the Board on January 1, 1969, and only when failing health overcame him in November, 1974 did he resign as Chairman. He was an inspiration to all who knew him, and provided much of the spark and the sparkle for the organization as he gave able leadership during the Company's history.